

1 A Well, I mean, it was just a subject matter that I
2 wanted to document. And I made the memo to files. However,
3 I did send it to a number of people. I know that Steve
4 Kline got a copy of this memo. Dave Hicks, John Dille, and
5 then of course, Alan.

6 Q Now, page 1 certainly reflects that Mr. Campbell
7 received a copy of it?

8 A Right, right. And I know that the others are not
9 copied there, but I know that they got it. And I know for a
10 number of reasons why they got it.

11 Q Do you have any recollection as to approximately
12 when you sent the memo that appears as page 2 to Mr. Dille?

13 A Not exactly, no. Probably some time -- I mean, I
14 could tell, but I don't know exactly. It would have been in
15 this month of March he got a copy.

16 Q And to Mr. Hicks?

17 A In the month of March.

18 Q And to Mr. Kline?

19 A What I don't know is if it was on or around the
20 fourth, or it was after I heard back from Alan. That's what
21 I'm not sure of, because I heard back from Alan on this.
22 And that's -- happens to be his edifications to page 2. And
23 that's why I'm saying I don't know when they got their
24 copies.

25 Q Now, what you're making reference there to is the

1 additional handwriting that appears with respect to numbers
2 5 and 6?

3 A That's correct. That is Alan Campbell's
4 edifications of my memo after I asked him to look at it.
5 So, whether I -- I'm not sure when I got the copies out to
6 the people, whether it was after Alan looked at it or
7 before. I don't remember.

8 Q Alright. So, I have a better idea of the time
9 sequence here, the typewritten portion of the memo is
10 prepared on March 4, which is the date reflected on it. And
11 the handwriting appeared sometime thereafter, as a result of
12 a telephone call that you had with Mr. Campbell?

13 A I'm sorry. Say that again --

14 Q Okay. The memo itself -- there's a typewritten
15 date of March 4.

16 A Right.

17 Q The handwriting would have been placed there
18 several weeks after?

19 A By "several weeks," I think it would have been a
20 couple of weeks to -- couple of weeks, maybe.

21 Q Now, with respect to the memo itself that appears
22 on page 2, the first sentence references your conversation
23 with Mr. Campbell. Were you and Mr. Campbell the only
24 parties to that conversation?

25 A On the -- yes. Yes.

1 Q Did you call Mr. Campbell, or did he call you?

2 A I called him.

3 Q Were you calling on your own, or was it at
4 somebody's direction?

5 A I don't know. I called on my own. Well, excuse
6 me. I don't know the answer to that one exactly. Dave
7 Hicks and I had had a number of discussions dealing with
8 this subject matter. Now, I may have -- we may have
9 discussed the fact of calling Alan Campbell and making sure
10 that what we had discussed was okay and there was no
11 problems with it and so on. So, I can't say that with
12 certainty that I made that decision on my own.

13 Q But in terms of the telephone call that's
14 referenced here, it was just you and Mr. Campbell?

15 A Just Mr. -- yes.

16 Q Whose idea was it to have a written Accounting
17 Agreement, as referenced in number 1?

18 A Alan Campbell. That's what it says.

19 Q Where does it say that? I'm missing it.

20 A Well, okay. I guess I'm implying it. "After much
21 discussion, the following items were decided. And these
22 were decided between Alan Campbell and myself. There will
23 be a written agreement signed by David Hicks, majority
24 shareholder of Hicks regarding the kind of services to be
25 performed."

1 So, I mean, that was his advice.

2 Q But in terms of discussion, the discussions
3 between yourself and Mr. Campbell, and the decision, at
4 least insofar as this memo is concerned, is between yourself
5 and Mr. Campbell?

6 A Yes, but all of these things had been preceded
7 with discussions between Dave Hicks and myself. That's the
8 reason for the phone call to Alan Campbell. Many of these
9 things had already been discussed between -- I mean,
10 everything here should have -- would have been discussed
11 between Dave Hicks and me.

12 Q Now, was it just Dave Hicks and you, or was there
13 anybody else involved in the discussion that you just
14 referred to?

15 A No, it would have been Dave Hicks and me.

16 THE COURT: You didn't discuss any of these items
17 with Mr. Dille?

18 THE WITNESS: Well, I don't know if he didn't know
19 about him. Yeah, he would have known about him, but I
20 really didn't discuss them with him, no.

21 THE COURT: Well, how would he have known about
22 them if you didn't discuss them with him?

23 THE WITNESS: I may have mentioned -- excuse me.
24 I may have mentioned that "Dave has asked us to do the
25 accounting," but I don't recall asking -- I mean, any set-

1 down discussions with John on this subject.

2 THE COURT: What about Item 3? Whose idea was
3 that?

4 THE WITNESS: Well, that -- I'm sorry. I did --
5 okay. I did -- that was part of the reason for giving this
6 memo to John, is because I wanted to make sure that John did
7 what Alan advised him to do, and he did subsequently do
8 that. He did get a memo out. So -- okay. I did -- John
9 was aware of some of this. But in some of the discussions
10 with Dave Hicks, was really what I meant regarding the
11 accounting, the employee benefits; John wasn't a part of
12 those. Dave and I talked about those things.

13 THE COURT: Did John get a copy of this memo?

14 THE WITNESS: Yes, he did.

15 THE COURT: Why did you give John a copy of the
16 memo?

17 THE WITNESS: Well, I wanted him to at least know
18 what was going on, be aware of what we were doing. And
19 secondly, I wanted him to make -- I wanted him to be aware
20 that what we were doing had been okayed by counsel. And I
21 also wanted him to make sure and write the memo that counsel
22 had advised him to do.

23 THE COURT: So, this is normal procedure? You
24 would discuss matters with Mr. Dille after talking to Mr.
25 Hicks or counsel?

1 THE WITNESS: It's -- Your Honor, I'm not saying
2 that none of this was discussed at all, that John wasn't
3 aware of it, but I don't know exactly what was and what
4 wasn't. I know that the general manager splitting, that I'm
5 sure he was aware of. I'm sure Dave and him had talked
6 about that. But I don't -- I mean, with respect to certain
7 things here, personnel policies and employee benefits and
8 the details of paying the bills and -- John wouldn't have
9 been involved in those discussions. And that would have
10 been normal. Not everything here -- he certainly knew about
11 the general manager.

12 THE COURT: But you gave him a copy of this memo?

13 THE WITNESS: Yeah.

14 THE COURT: Did you, as a general rule, give him
15 copies of memos involving Hicks Broadcasting, where you had
16 had discussions with an attorney or --

17 THE WITNESS: Well, this would have been a little
18 bit abnormal, in that I wanted to make sure that service is
19 being provided, and that things that were being done by
20 Hicks, that there was no problems and no legal problems.
21 And I thought that was something that he ought to see, that
22 the things we were going to do had been blessed by our
23 attorney.

24 THE COURT: Well, prior to your conversation with
25 your attorney, did you speak to Mr. Dille about any of these

1 matters?

2 THE WITNESS: I -- I'm sure that I -- we had
3 talked about Number 2 somewhat, because I'm sure that -- by
4 that time, I'm sure that Dave had approved Steve Kline to be
5 the general manager of WLTA. So -- I mean, he would have
6 known that. Number 3, I did not talk to him before I gave
7 him this memo. I know it wasn't under the advice of
8 counsel.

9 Four, he wouldn't have gotten involved in
10 whatsoever, or nor five. I think six probably would have
11 been discussed with him at some time. And seven, some of
12 that, yes. He would know about that, too. Some of that
13 would have been discussed, too. I mean, we had the Joint
14 Operating Agreement -- was a continuation from Booth.

15 THE COURT: Go ahead, Counsel.

16 BY MR. SHOOK:

17 Q Thank you, Your Honor. Mr. Watson, with respect
18 to the second item that's noted there, who was it that
19 decided that Mr. Kline would be one-half general manager of
20 WLTA and one-half of WRBR?

21 A Well, Dave Hicks approved or approved or hired
22 Steve Kline as general manager of WRBR. And at that time --
23 I mean, I think there had been certainly recognized that
24 some economies of scale could be recognized there if the
25 same general manager was over both stations. And in fact, I

1 think that had been even suggested to Booth in early spring
2 of 1993. And so, I mean it was a thought, but it wasn't
3 until Dave approved Steve Kline before it was -- could
4 happen, and then it was two stations, one-half, one-half. I
5 mean, it made reason -- it was reasonable.

6 Q Well, did you have explicit authority from Mr.
7 Dille to agree on behalf of Pathfinder that Steve Kline was
8 -- you know, his job was going to be altered in this
9 fashion?

10 A Well, I -- no. I -- I took my lead there from
11 Dave or John. I mean, from -- John was aware at that time.
12 I mean, before the writing of this memo, there had been,
13 obviously, some discussions between Dave and John on this I
14 think.

15 Q I understand that you might have received some
16 direction from Mr. Hicks that he wanted Mr. Kline to work on
17 his behalf. My question right now is, what, if anything,
18 did you get from Mr. Dille that that was okay with him, for
19 Steve Kline to be the general manager of WRBR in addition to
20 being the general manager of WLTA?

21 A I don't recall a specific conversation on the
22 subject. There were -- there may have been a number of
23 conversations. It generally came to be understood that if
24 Steve was hired by Dave to be the general manager, that it
25 would be a split of his salary. I don't know how -- I don't

1 remember a specific conversation on this.

2 Q Okay. Along those lines, was Steve's salary going
3 to change?

4 A Not to my knowledge. No, it didn't change. It
5 did not change.

6 Q It did not change?

7 A No.

8 Q So, whatever it was that he was receiving for
9 being the general manager of WLTA; in terms of who was
10 responsible for it, it was essentially split in half?

11 A With respect to his salary, yes. Any incentive
12 that there was -- would have been, would have been split
13 based upon the contributing operating cash flow whichever --
14 whatever -- that would have been split proportional to the
15 operating cash flow of each station.

16 Q Now, notwithstanding this split in salary and
17 split in responsibilities, Mr. Kline remained a Pathfinder
18 employee throughout, did he not?

19 A He remained on the payroll of Pathfinder, on a
20 payroll that's administered by Pathfinder. However, his
21 actual salary -- actual salary starting April 1 was split
22 and charged to RBR.

23 Q Okay. So, in terms of the books, the books would
24 show that one-half of Mr. Kline's salary was coming from
25 Hicks and one-half was coming from Pathfinder?

1 A That's correct.

2 Q His W-2, however, would continue to show that all
3 of it was coming from Pathfinder?

4 A Pathfinder's name would be on the W-2. That's
5 correct.

6 Q And as far as employee benefits were concerned,
7 those employee benefits were also coming from Pathfinder?

8 A They were coming from Pathfinder, however, they
9 were split also. Any costs associated with those benefits
10 were split between the two stations.

11 Q I see. Now, with respect to Number 5, who was it
12 that decided that Hicks Broadcasting of Indiana, LLC would
13 not have its own bank account?

14 A Well, I guess I --I'm the one that suggested that.
15 After Dave asked us to the accounting services, you know,
16 you look at the picture and you say, "What is the most easy
17 and efficient way to do it?" And we're already in the Joint
18 Operating Agreement. Many of the bills are already shared
19 bills. Part of them are WRBR's. Part of them are WBYT's.
20 We've already got -- why have two accounts payable runs when
21 you can have one and charge it to two different places?

22 So, at that time, it was decided write all the
23 checks on one company, charge them appropriately to each
24 company, and that's what happened. It was the easiest, most
25 efficient way to do it.

1 Q Now --

2 A And still is.

3 Q Ultimately, the system changed. Didn't it?

4 A No.

5 Q Didn't there become a time when Hicks acquired its
6 own bank account?

7 A Yes. Hicks acquired its own bank account, but the
8 system of paying bills -- the majority of the bills have not
9 changed yet. And because we really haven't not ever got any
10 definitive answer that there was a particular problem with
11 that. I mean --

12 Q With respect to Number 7, when was it that Hicks
13 adopted the same employee benefits as Pathfinder?

14 A When is it?

15 Q When is it?

16 A Well, that was April 1, 1994.

17 Q Well, the reason that I ask is that the memo is
18 dated March 4, and we, the Bureau, have not come across any
19 documents from Hicks indicating that it had done what is
20 represented here in Number 7. So, I'm just curious as to
21 when that had occurred.

22 A Well, okay. Maybe it was miswritten. Maybe it
23 should -- Hicks **will** adopt. Is that what you mean? Is that
24 what you're saying there?

25 Q I'm just looking at what's written here.

1 A Okay, well I -- they haven't adopted it at that
2 point. "If and when they close on the purchase of WRBR,
3 they **will** adopt the employee benefits of Pathfinder." Maybe
4 that should have been written in that manner.

5 Q Okay. That's what you meant to say?

6 A Yes. And yeah, I indicate why that made sense,
7 too.

8 Q In other words, the next sentence is the reason
9 why? And the "we" there is who? When you look at the
10 second sentence of Number 7, there's a reference to "we have
11 decided." My question is, who is "we?"

12 A Alan Campbell. He had no problem with it.

13 Q Was it also decided during this conversation that
14 WRBR would move its studio and co-locate with WLTA?

15 A No.

16 Q Do you know when the decision for the move was
17 made?

18 A No, I don't.

19 Q Do you know who made it?

20 A The decision for the move?

21 Q Yes, sir.

22 A Dave Hicks would have made it.

23 Q Well, would have made it. You're drawing an
24 inference at this point? I'm just asking --

25 A Yes, I would have been drawing an inference at

1 this point because he would have decided to move his own
2 station.

3 Q I recognize that that would make perfectly logical
4 sense, but my question is, do you know who made that
5 decision, and if so, when?

6 A I know there were discussions between him and John
7 on co-location. That's all I know. So -- and therefore, I
8 assume Dave Hicks, after those discussions, made the
9 decision to move.

10 Q Now, who decided how much rent WRBR would be
11 charged?

12 A I think that was probably decided between John and
13 Dave?

14 Q Okay. You don't know?

15 A I anticipated that. I think I was told what to
16 do.

17 THE COURT: What to do? Who told you what to do?

18 THE WITNESS: I'm not sure which -- I mean, they
19 agreed on the split of rent, and I was informed how to do
20 it. And that would have meant 'split the rent.' Change the
21 allocation of the rent to -- so that each company got their
22 portion.

23 THE COURT: Well, who specifically informed you?
24 Was it Mr. Dille or Mr. Hicks?

25 THE WITNESS: Your Honor, I don't remember which

1 one informed me. I really don't. It could have been
2 either/or, but it was after their discussions between each
3 other. It very well could have been John. But it would
4 have been after they discussed it. So I don't remember
5 which one told me.

6 MR. SHOOK: Now --

7 THE WITNESS: They were both aware of it. They
8 were both aware that it was going to be split.

9 BY MR. SHOOK:

10 Q The conversation between yourself and Mr. Campbell
11 that's referenced here, was it decided at that point that
12 WLTA employees would perform services for WRBR, and that
13 their salaries would be allocated between WLTA and WRBR?

14 A There were certain employees that had really taken
15 discussions with Dave Hicks. And there were some
16 discussions of splitting some further salaries. That's
17 right. Such as the receptionist. Once they got collated --
18 co-located, they only needed -- they -- we determined that
19 there could be some further efficiencies in addition to the
20 Joint Operating Agreement. And those efficiencies would
21 come in the area of some additional administrative expenses
22 such as a receptionist. And so, it kind of evolved from the
23 Joint Sales Agreement into more of a Joint Operating
24 Agreement.

25 Q I want to direct your attention to Mass Media

1 Bureau Exhibit, page -- or excuse me, Exhibit 1, first page,
2 65.

3 Now, I'm looking at Number 4 on page 65, the
4 paragraph that's number four. The second sentence, if you
5 just read it to yourself.

6 A Yes.

7 Q If you could help me with the timing here. If you
8 know when it was that Mr. Hicks interviewed Mr. Kline?

9 A No, I don't know a specific date.

10 Q Do you know anything about the circumstances of
11 the interview, such as; whether it was in person or by
12 telephone or where it occurred?

13 A Just -- what my understanding is that they had met
14 a number of times. I mean, I don't know if the interview is
15 even necessarily talking about one specific time, but they
16 had met on a number of occasions, I believe, before that. I
17 know they had before April 1. I mean, there was a number of
18 them.

19 Q Just so to help you understand what it is that I'm
20 looking at and why I'm asking this question, you'll notice
21 that there's a typewritten page number 15 on the bottom of
22 the document. If you go back to the first page of this
23 which appears on our marked page number 51, you'll see that
24 this is part of the response of Pathfinder Communications
25 Corporation. This was to the letter of inquiry that the

1 Bureau had --

2 A Yes --

3 Q -- sent.

4 A Yes.

5 Q And the particular question that is being answered
6 here is question number 10, which appears on our marked page
7 63.

8 A Yes.

9 Q And so, what we have here is Pathfinder making an
10 affirmative statement about Dave Hicks interviewing Mr.
11 Kline and selecting him.

12 A Yes.

13 Q And so, with that in mind, my question is what do
14 you know of the specifics of that interview?

15 A I don't know of any specifics of the interview.

16 MR. SHOOK: Your Honor, the Bureau moves into
17 evidence Mass Media Bureau Exhibit Number 48.

18 THE COURT: Any objection?

19 MR. GUZMAN: None, Your Honor.

20 THE COURT: Exhibit 48 is received.

21 (The document referred to was
22 marked for identification as
23 Mass Media Bureau Exhibit 48,
24 and was received in evidence.)

25 BY MR. SHOOK:

Heritage Reporting Corporation
(202) 628-4888

1 Q Mr. Watson, could you please turn to Mass Media
2 Bureau Exhibit Number 49? You'll notice that on the bottom
3 right portion, it says: "Prepared: R.A. Watson." Is that
4 you?

5 A Yes.

6 Q And did you do that?

7 A Yes.

8 Q On or about March 7, 1994?

9 A Yes.

10 Q What, if anything, happened with this document
11 after you prepared it? Who did you distribute it to?

12 A I don't recall. It would have been -- it was
13 being prepared at that time so that employees of WRBR, once
14 the closing took place, they could get something in their
15 hands relating to employee benefits. I mean, Hicks
16 Broadcasting had adopted these benefits, and this was --
17 this is really like WLTA's. So, their name was put on it
18 and got it ready to give to new employees on April 1.

19 Q Did you give this to Mr. Hicks?

20 A He would have certainly got a copy of it, and
21 also, would have been given at some point in the month of
22 March to Steve Kline, and new employees would have got it on
23 April 1.

24 Q Now, do you actually recalling doing that or --

25 A I recall doing it. I don't remember the date I

1 did it, but all that had to be done, yes.

2 Q Right. No, I didn't ask you specifically when you
3 distributed it. I just asked --

4 A I certainly remember giving a copy to Dave Hicks,
5 and I know Steve Kline would have had to get him to give
6 them to the employees.

7 MR. SHOOK: Your Honor, the Bureau moves Exhibit
8 49 into evidence.

9 THE COURT: Any objection?

10 MR. GUZMAN: None, Your Honor.

11 MR. HALL: None, Your Honor.

12 THE COURT: The exhibit is received.

13 (The document referred to was
14 marked for identification as
15 Mass Media Bureau Exhibit 49,
16 and was received in evidence.)

17 BY MR. SHOOK:

18 Q Mr. Watson, could you turn to Mass Media Bureau
19 Exhibit Number 50? Is that your signature on the first
20 page?

21 A Yes.

22 Q Now, during this period of time, were you
23 essentially communicating with Mr. Hicks and/or Mr. Brown
24 relative to the organizational documents that were being
25 prepared for Hicks Broadcasting of Indiana, LLC?

1 A Yeah. Most of my contact was through -- yeah.
2 Through them. A number of times, yes.

3 Q I mean, essentially, there was a back and forth --

4 A Yes --

5 Q -- between yourself and --

6 A Myself and I know -- I'm sure Sam Thompson at some
7 point in there. I mean, there was communication between the
8 counsels.

9 Q And your role during this process was what?

10 A Well again, I was asked on behalf of Hicks
11 Broadcasting to talk to Sam Thompson about setting up the
12 entity. My role also included reviewing the Operating
13 Agreement, from the standpoint of the minority members'
14 interests. And I was also a point -- kind of a point of
15 coordination for the document.

16 Q During this period of March while the
17 organizational documents for Hicks are being put together,
18 you weren't receiving any separate compensation from Hicks,
19 were you?

20 A No.

21 Q And you didn't receive anything separate from the
22 Dille children, do you?

23 A No, nor would I have expected to.

24 Q So, what you were receiving during this period was
25 your basic salary from Pathfinder for doing your job?

1 MR. GUZMAN: Your Honor, I'm going to have to
2 object at this point. This is the second or third time this
3 line of questioning has come up, again all without
4 background in terms of what the company's like, what Mr.
5 Watson's role historically has been at the company. You had
6 asked at one point for that background, and this might be as
7 good as time as any to get it.

8 THE COURT: If that's an objection, it's
9 overruled.

10 MR. SHOOK: Alright. Your Honor, we would move
11 Exhibit 50 in.

12 THE COURT: Did you get an answer to your
13 question?

14 MR. SHOOK: I believe I did. I'm not sure.

15 THE COURT: Perhaps you better ask if you want the
16 question in the record.

17 BY MR. SHOOK:

18 Q Okay. During this period of March of 1994, the
19 work you were doing to prepare or to help organize Hicks
20 Broadcasting of Indiana, LLC was basically a part of your
21 job for Pathfinder, wasn't it?

22 A No, not for Pathfinder. I received no additional
23 compensation. It wasn't for -- I didn't do this for
24 Pathfinder. I did it for John and his children.

25 MR. SHOOK: Alright. We would still offer Exhibit

1 50.

2 THE COURT: Any objection?

3 MR. GUZMAN: None, Your Honor.

4 MR. HALL: No, Your Honor.

5 THE COURT: The exhibit is received.

6 (The document referred to was
7 marked for identification as
8 Mass Media Bureau Exhibit 50,
9 and was received in evidence.)

10 BY MR. SHOOK:

11 Q Would you please turn to Mass Media Exhibit 51?

12 THE COURT: Am I correct to assume, sir, that the
13 work you did was during regular business hours?

14 THE WITNESS: Well, regular business hours were
15 pretty long days. Some of it would have been during regular
16 business hours. Some of it would have been after business
17 hours, but during my normal -- I guess, during my normal
18 work day, yes.

19 THE COURT: Alright. Go ahead.

20 BY MR. SHOOK:

21 Q Mr. Watson, with respect to Exhibit 51, the
22 written material that appears on page 2, does that come from
23 you?

24 A Yes. You say the written material. I'm sorry. I
25 must have a different exhibit. You talking about my

1 initials?

2 Q Am I looking at the wrong -- did I say 51 or 52?

3 A You said 51.

4 Q Okay, 51 the second page.

5 A My 51, second page is an attorney's bill. Is
6 yours?

7 THE COURT: Yes, it's -- then we have 51.

8 MR. SHOOK: Right. Maybe there's some problem
9 that occurred.

10 THE COURT: Page 2 has initials.

11 THE WITNESS: I mean, it has my initials on it, if
12 that's what you're looking at.

13 MR. SHOOK: Oh, right. Okay. I'm sorry. I
14 didn't make my question clear.

15 Okay. The initials are yours --

16 THE WITNESS: Yes --

17 MR. SHOOK: On page 2. And the -- now, what is
18 the reference in the lower left?

19 THE WITNESS: The lower left is meant that this is
20 a March bill, and it's to be paid -- March expense, to be
21 paid on or around June 8.

22 BY MR. SHOOK:

23 Q Now, I'm a little confused about something. When
24 I look at the bill itself and you look at page 1, the date
25 referenced there is March 2?

1 A Yes.

2 Q And the date of your memo if you back to --

3 A March 4 --

4 Q -- the second page of 48 is March 4. Do you
5 have -- is there some explanation for this that you know of?

6 A Well, no, other than I saw that, too, and I was
7 wondering. Only thing I can think could happen is that --
8 is that the actual date of the memo when I dictated the memo
9 to my assistant, I dictated it on March 2. She typed it on
10 March 4 and put the March 4 date on it.

11 So, when I was dictating on March 2 I said, "Today
12 I had a conversation today with Alan Campbell." That's
13 the -- assuming he's correct on March 2, then the actual day
14 of my conversation with him was March 2. And my assistant
15 dated my memo, when she typed it; March 4. That's the only
16 explanation or something similar that I could come up with.
17 But I do believe that the March 2 reference there is the
18 phone call that I had to him regarding that memo, the things
19 in that memo. And then I know that, of course, the next one
20 is his comments back to me.

21 MR. SHOOK: Your Honor, the Bureau moves Exhibit
22 51 into evidence.

23 THE COURT: Any objection?

24 MR. GUZMAN: No, Your Honor.

25 MR. HALL: No, Your Honor.

1 THE COURT: The exhibit is received.

2 (The document referred to was
3 marked for identification as
4 Mass Media Bureau Exhibit 51,
5 and was received in evidence.)

6 BY MR. SHOOK:

7 Q Mr. Watson, I'd like to direct your attention to
8 Mass Media Bureau Exhibit 1, page 44. Is that your
9 signature over the typewritten "Robert A. Watson"?

10 A Yes.

11 Q Did you draft the Accounting Agreement?

12 A Yes.

13 Q When did you do that, approximately?

14 A On or around March -- sometime before March 23,
15 22. I don't know.

16 Q Okay. Were you the person who determined what
17 price should be charged for the service?

18 A Yes. Well, I proposed the price. Dave approved
19 it by, of course, signing it.

20 Q Were there any other prior drafts of this
21 agreement?

22 A No, not to my knowledge.

23 Q Did anyone at Pathfinder review the agreement?

24 A No. Other than me?

25 Q Yes, sir.

1 A No.

2 Q Do you know whether anybody on behalf of Hicks
3 reviewed the agreement?

4 A Just Dave Hicks.

5 Q Now, looking at this agreement, was it your
6 understanding that the agreement provided that, as part of
7 Pathfinder's accounting services, all of the employees for
8 WRBR would receive their W-2s with Pathfinder listed as
9 their employer?

10 A Yes.

11 Q You draw that from this agreement?

12 A I drew -- draw that from this agreement plus my
13 conversation with Alan Campbell, and in which case he knew.
14 I mean, that's -- that was the way -- it was the way it's
15 going to be done. As long as the employees were charged
16 properly to the right company, it was -- it was the most
17 efficient and effective way to get it done. He only had one
18 tax return to file. I mean, payroll tax return to file and
19 so on and so forth.

20 Q Alright. So, you had that understanding and
21 you're saying that Mr. Campbell also had that understanding.
22 Who else had that understanding?

23 A Dave Hicks.

24 Q Anybody else?

25 A Yeah. I mean, other people that -- other people

1 that worked for me and --

2 Q In other words, the people in the accounting
3 office?

4 A Yeah, the people in accounting.

5 Q Did Mr. Dille know that was going to happen?

6 A I don't think he even thought about it. I don't
7 think I would have thought to tell him, nor would he have
8 thought about it to ask. Let me explain. That is not that
9 uncommon, I mean, for a company to have -- I mean, rather
10 than have a little -- let's say a company has two employees,
11 and this company has three. If you can put them together
12 and make one -- one payroll run, and as long as you split
13 the people to the proper company, it wouldn't be that
14 uncommon. This was the most-efficient way to do it.

15 THE COURT: Aren't these two competing companies?

16 THE WITNESS: Well, yes, they're competing because
17 they want to do -- they're competing from the standpoint of
18 ratings. And then at this time, they were in a Joint
19 Operating -- Joint Sales Agreement. So, all they were --
20 which was split based upon a ratings formula, and
21 therefore -- I mean, they're competing from that standpoint.
22 But because of their -- but because they were on the same
23 payroll, that didn't affect -- have anything to do with
24 their competition.

25 THE COURT: Well, they are competing for the same

1 listeners, though, or am I mistaken?

2 THE WITNESS: It depends on if you -- I don't
3 really know if they would be depending on -- they were at
4 that time not competing even for the same type listener, but
5 they were --

6 THE COURT: Well, the same service area?

7 THE WITNESS: Yes. They -- for listeners in
8 general, yes. Yes.

9 THE COURT: How far away was one station from the
10 other station?

11 THE WITNESS: Well, it was sometime in the month
12 of April that they co-located to the same building. And
13 many of the employees were already part of the Joint
14 Operating Agreement, Joint Sales Agreement, Joint Operating
15 Agreement. Then, by co-locating, there were some additional
16 administrative things that could be shared.

17 THE COURT: Also, was the programming shared in
18 some respect, at least the equipment?

19 THE WITNESS: I don't know the answer to that. I
20 know that they --

21 THE COURT: They each had the same studio?

22 THE WITNESS: No, not the same studio. One -- I
23 mean, no, they had different studios. And that was why that
24 part of the rent was split. I mean, if they got -- WRBR has
25 their own studio and their own equipment. I mean, when they

1 moved over they had equipment, their own equipment, and a
2 studio had to be provided to them. And that's when -- I
3 mean, yes, they did co-locate. And that's why they're
4 splitting the rent -- split the rent.

5 And at that time, it was recognized that other
6 efficiencies could be had by the co-location, such as
7 receptionists.

8 THE COURT: Common general manager?

9 THE WITNESS: Yes. Common general manager. They
10 couldn't have done that without -- it would be almost
11 impossible without co-location to have a common general
12 manager.

13 THE COURT: But they're still competing for
14 business, for the same listeners?

15 THE WITNESS: The same listener in general, but I
16 don't know about --

17 THE COURT: The same dollar.

18 THE WITNESS: Excuse me. Let me try to explain.
19 They had a Joint Sales Agreement, so they -- at this time,
20 they were selling the stations combined. So, they sold just
21 as much as they could, based upon the ratings of each
22 station. Now, do you then split those -- do you split that
23 net income from those -- from the Joint Sales Agreement in
24 relation to their ratings. So, the better they did on their
25 ratings, the more they would share in the net -- net revenue

1 from the JOA.

2 THE COURT: Go ahead, Mr. Shook.

3 BY MR. SHOOK:

4 Q Now, focusing on this Accounting Agreement again,
5 did you understand the Accounting Agreement to provide that,
6 as part of Pathfinder's accounting services, Hicks
7 Broadcasting of Indiana, LLC would not have its own bank
8 account?

9 A No, I don't think it was even thought of,
10 necessarily, at the same time. I didn't -- never do,
11 necessarily. They're -- they were not going to have an
12 accounts payable disbursement account. That was
13 contemplated in this memo. They were not going to pay their
14 bills out of a different bank account. At this time, it was
15 contemplated that all the bills would be paid out of one
16 bank account. It does not mean to say that it was
17 contemplated that Hicks also would not have a bank account.
18 Okay?

19 Q Okay. But in terms of what you just said; the
20 paying of the bills, we're supposed to draw that from the
21 language of this document somewhere?

22 A No, I think you have to go between this, and you
23 have to also take the memo that I made to file from Alan
24 Campbell's conversation. He understood that that was the
25 most efficient way to do it. This -- hired us to do the

1 job. In other words, Dave asked for us to do -- provide the
2 service.

3 I wrote up an agreement, trying to be responsive
4 to what I thought should be done, to draw an agreement
5 relating to that service. The most efficient way to do it
6 was then to have all the bills paid out at one bank account.
7 And I went over that with Alan Campbell and documented that
8 in that memo.

9 THE COURT: Let me ask you this. This sales
10 agreement, it was a Joint Sales Agreement between Booth and
11 Pathfinder. Correct?

12 THE WITNESS: Yes.

13 THE COURT: Now, under the Joint Sales Agreement
14 from Booth and Pathfinder, did you have the same
15 efficiencies, the same accounting department handling both
16 companies? Did you have split employees? Did you have any
17 of the "efficiencies" which you just mentioned, existed when
18 the Joint Sales Agreement from Booth to Pathfinder? Tell me
19 what similarities there were, as existed, between Hicks and
20 Pathfinder.

21 THE WITNESS: Okay. The things that were similar
22 to the JOA with Booth -- between Booth and Hicks?

23 THE COURT: Booth and Pathfinder.

24 THE WITNESS: Okay. The things that were similar?

25 THE COURT: As compared with Booth.

1 THE WITNESS: Okay.

2 THE COURT: As compared with Hicks and Pathfinder.

3 THE WITNESS: Things that were similar was that
4 there was a combined sales staff. There was combined
5 support help for that --

6 THE COURT: What did you say?

7 THE WITNESS: I just said, such as the sales
8 secretary.

9 THE COURT: Alright.

10 THE WITNESS: There was one. If there was --
11 traffic. The traffic director, person who schedules the
12 commercials was common. The billing clerk was common. The
13 production and continuity person was common.

14 At that time, that was pretty much it for common
15 people. Keep in mind, they were not co-located at that
16 time. So, it was much harder to have any further sharing of
17 employees, although it had been discussed in, I believe,
18 April of '93, some co-location and therefore, splitting of
19 additional employees. That had been discussed with Booth,
20 but it hadn't -- but it didn't take place.

21 THE COURT: So, those are the only --

22 THE WITNESS: Those are the similarities.

23 THE COURT: Go ahead, Counsel.

24 BY MR. SHOOK:

25 Q Mr. Watson, could you please turn to Mass Media

1 Bureau Exhibit 54? On page 2 are the markings "OK" and the
2 initials underneath yours?

3 A That's correct.

4 Q Now, can you make out what is in the upper-center
5 portion? There's some additional squiggles of some kind.
6 Do you know what that is?

7 A I'm not sure what it is, exactly.

8 Q Okay. Is there anything on this bill to reflect
9 that Mr. Hicks specifically or explicitly okayed the payment
10 of this bill?

11 A No, I don't see anything specific on here. That's
12 not -- again, it doesn't mean I didn't discuss it with him,
13 though.

14 Q Right. No, I didn't ask that question yet, and I
15 understand that you -- your testimony would be that you did
16 discuss this with Mr. Hicks?

17 A No. My testimony would be that I'm not sure if I
18 did, but it's very likely that I did.

19 Q I see.

20 MR. SHOOK: Your Honor, the Bureau moves Exhibit
21 54 into evidence.

22 THE COURT: Any objection?

23 MR. GUZMAN: None, Your Honor.

24 MR. HALL: None, Your Honor.

25 THE COURT: The exhibit is received.

1 (The document referred to was
2 marked for identification as
3 Mass Media Bureau Exhibit 54,
4 and was received in evidence.)

5 THE WITNESS: May I add something there, please?

6 MR. SHOOK: Certainly.

7 THE WITNESS: It was also charged to Hicks.

8 BY MR. SHOOK:

9 Q That's the three dot 76 --

10 A That's correct --

11 Q -- 53.

12 A That's correct.

13 Q Okay.

14 A May I also add one more thing, please?

15 Q Sure.

16 A Starting April 1, with the very first month of
17 operations of Hicks, Dave received and continues to receive
18 a general ledger activity, which shows every bill that was
19 paid or approved to his company. And he has the opportunity
20 and does, on numerous occasions I know, review that. If he
21 has any questions he can ask about them, and has asked about
22 them, both of me and Steve Kline, his general manager.

23 Q And you're saying that practice commenced April 1?

24 A Yes.

25 Q Or on or about April 1, 1994?

1 A Yes.

2 Q Would you turn to Mass Media Bureau Exhibit 56,
3 please? If you would, please, just take a moment to look
4 through it.

5 A Is it just one page?

6 Q No, sir. The exhibit itself consists of six
7 pages.

8 A Okay. You said 51, did you?

9 Q If I did I misspoke.

10 A What did you say?

11 Q Fifty-six.

12 A Oh -- is it the -- start off on -- is it on the
13 Miller, Canfield, Stone --

14 Q Yes, sir --

15 A -- letterhead? Okay. Okay. You want to look at
16 page 1 or all of it?

17 Q Well, now that you've had a chance to look at it,
18 I'll ask you --

19 A I just looked at page 1. Do you want me to look
20 at the whole thing?

21 Q Please look at all of it. You don't have to study
22 it, but just get an idea of what's there.

23 A Okay. I've got an idea. Alright.

24 Q Alright. Did you see this document on or about
25 the date of the letter from Mr. Brown?

1 A Not that I recall. I don't recall ever seeing
2 this.

3 Q I notice that there's a "cc" there to Mr. Dille.
4 Your recollection would be that he did not forward this on
5 to you?

6 MR. WERNER: Objection. Assumes facts not in
7 evidence. It's not clear that Mr. Dille ever received it.

8 MR. SHOOK: It just reflects the cc.

9 MR. WERNER: True, but you're assuming -- by
10 assuming that he didn't pass it on, you're assuming he
11 received it.

12 THE COURT: I'll sustain the objection. The
13 witness is stating that he saw the letter.

14 MR. SHOOK: The first page anyway, Your Honor.

15 THE COURT: Well, continue.

16 THE WITNESS: No, I never saw any -- page 1. I
17 didn't see any of this.

18 MR. SHOOK: Very good.

19 THE WITNESS: But I know what it is.

20 BY MR. SHOOK:

21 Q What is it?

22 A They're a -- Hungerford, a service who provides
23 information to the market on sales, on revenue. Each
24 station, they come into a market. They get each station to
25 report their sales every month. They report them to

1 Hungerford, which is a CPA firm. Hungerford is a CPA firm.
2 They're a third party. They accumulate these numbers, send
3 the revenue numbers back to the participants and with the
4 stations not identified except for their own. So, they can
5 see how they performed in the market, as compared to the
6 other people in the market.

7 Now, the -- I mean, even though I didn't see this,
8 I mean it's the kind of thing that John would see, though.
9 It's the kind of -- because he had -- involved in the sales
10 of both stations. I mean, not involved, but Pathfinder was
11 running the sales -- the JSA.

12 Q Did WLTA receive this service from Hungerford?

13 A I'm sure they did.

14 Q You know whether WRBR received this service from
15 Hungerford?

16 A I believe they did, too. Well, this is -- in
17 fact, this is -- this is a copy of a letter and agreement
18 with Hungerford. I mean, this is transmitting the report.
19 And they wouldn't have a report unless they had contracted
20 for the service.

21 Q What is it that's catching your attention there?

22 A The transmittal letter itself. "Enclosed is a
23 copy of a letter and agreement with Hungerford report which
24 was sent to me by" -- it says in the second. Then, the
25 second -- page 2 it says, "The agreement is not signed, but

1 apparently, the services are being provided to R -- WRBR."

2 Q Did you know whether WRBR continued to use those
3 services after April 1, 1994?

4 A I believe they did, yeah, because it's valuable
5 information to the selling of the station. I mean, you want
6 to see how you do every month. To my knowledge, they did
7 then and still are.

8 THE COURT: Are you moving on to something else?

9 MR. SHOOK: Yes, sir.

10 THE COURT: Let's take a 10-minute break.

11 (Whereupon, a short break was taken.)

12 THE COURT: Back on the record.

13 BY MR. SHOOK:

14 Q Mr. Watson, we had spoken briefly before about the
15 call provision. Do you remember that?

16 A Yes.

17 Q And I basically asked you how it came about that
18 the call provision was inserted, and you responded to that.

19 A Yes.

20 Q You understand basically what call provision is
21 about, do you not?

22 A Yes.

23 Q What is that the call provision allows?

24 A Well, basically describes the method by which the
25 minority members could purchase Dave Hicks' share of Hicks

1 Broadcasting.

2 Q Now, do you happen to know why Mr. Hicks did not
3 have a reciprocal right to call the Dille children's
4 interests?

5 A No, I do not, other than I do know that one of the
6 interests -- I mean, it was pretty-well established that one
7 of John's interests in talking to Dave would have been one,
8 to preserve the JOA and also, he would have liked for his
9 children to have a minority interest, and then hopefully,
10 some day be able to buy out the majority shareholders.
11 That's -- I mean, that was not unknown.

12 Q Right. My question isn't so much why there would
13 be a call provision that would allow the Dille children to
14 buy out Mr. Hicks' interest. My question is, did you have
15 any knowledge as to why Mr. Hicks didn't have a reciprocal
16 right, meaning the right to buy out the Dille children's
17 interests?

18 A I guess not.

19 Q Could you please turn to Mass Media Exhibit 57?
20 Do you recall receiving a signed copy of this on or about
21 March 24?

22 A A signed copy of Sam's letter and the attached
23 revised -- yes, I recall that.

24 Q Right. Well, in this case the letter doesn't come
25 from Mr. Thompson. It comes from somebody else.

1 A Yes. One of his associates.

2 Q You know who that person is?

3 A Yes, I do.

4 Q Alright. Did you happen to call Mr. Thompson or
5 Mr. -- is it Troeger? Is that how his name is pronounced?

6 A Troeger.

7 Q Troeger; where it says in the last sentence,
8 "Please let Sam or me know if you have any questions or
9 comments." Did you happen to call in response to this
10 letter?

11 A I really don't recall if that was final or not.
12 If I did it wouldn't have been at -- until Dave and Rick
13 Brown took a look at it. I don't know if I called -- at
14 some point I called and it was finalized. Okay?

15 MR. SHOOK: Alright. The Bureau moves to admit
16 Exhibit 57.

17 THE COURT: Any objection?

18 MR. HALL: No, Your Honor.

19 MR. GUZMAN: No, Your Honor.

20 THE COURT: Exhibit 57 is received.

21 (The document referred to was
22 marked for identification as
23 Mass Media Bureau Exhibit 57,
24 and was received in evidence.)

25

1 BY MR. SHOOK:

2 Q Mr. Watson, could you please turn to Exhibit 58?

3 Is that your signature, sir?

4 A Yes, it is.

5 Q And you are the author of the letter?

6 A Yes.

7 Q And you sent the materials noted here to Mr.

8 Brown?

9 A I'm sure I did.

10 MR. SHOOK: Your Honor, we move for the admission
11 to Exhibit 58.

12 THE COURT: Any objections?

13 MR. HALL: No, Your Honor.

14 MR. GUZMAN: None, Your Honor.

15 THE COURT: The exhibit is received.

16 (The document referred to was
17 marked for identification as
18 Mass Media Bureau Exhibit 58,
19 and was received in evidence.)

20 BY MR. SHOOK:

21 Q Please turn to Mass Media Bureau Exhibit Number
22 60. Now, just take a moment to read the letter. It's one
23 page. It's fairly short.

24 And my question to you is, were you aware that Mr.
25 Campbell had been requested to render an opinion regarding